

UTAH YOUTH VILLAGE, INC.

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
AND
FINANCIAL STATEMENTS**

June 30, 2005

HANSEN, BARNETT & MAXWELL

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

UTAH YOUTH VILLAGE, INC.

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Certified Public Accountants	1
Statement of Financial Position - June 30, 2005, with Summarized Financial Information as of June 30, 2004	2
Statement of Activities for the Year Ended June 30, 2005 with Summarized Financial Information for the Year Ended June 30, 2004	3
Statement of Functional Expenses for the Year Ended June 30, 2005	4
Statement of Cash Flows for the Year Ended June 30, 2005 with Summarized Financial Information for the Year Ended June 30, 2004	6
Notes to Financial Statements	7

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Registered with the Public Company
Accounting Oversight Board



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Trustees
Utah Youth Village, Inc.

We have audited the accompanying statement of financial position of Utah Youth Village, Inc. (a non-profit organization) as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of Utah Youth Village, Inc. Our responsibility is to express an opinion on these financial statements based on our audit. The summarized financial information for the year ended June 30, 2004 has been derived from the financial statements of Utah Youth Village, Inc. for the year ended June 30, 2004 and, in our report dated August 19, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Youth Village, Inc. as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hansen, Barnett & Maxwell
HANSEN, BARNETT & MAXWELL

Salt Lake City, Utah
August 12, 2005

UTAH YOUTH VILLAGE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005
With Summarized Financial Information as of June 30, 2004

	2005				2004
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
ASSETS					
Cash	\$ 577,449	\$ 197,260	\$ 179,947	\$ 954,656	\$ 1,328,154
Investment in marketable equity securities	461,616	29,101	433,331	924,048	967,891
Contracts receivable	217,137	-	-	217,137	250,643
Promises to give, net of unamortized discount of \$282,363	82,107	-	633,759	715,866	622,616
Other receivables, net of allowance of \$30,000	181,972	-	-	181,972	292,909
Prepaid expenses	54,384	-	-	54,384	48,958
Deferred loan costs	9,050	-	-	9,050	-
Note receivable	-	-	2,279,242	2,279,242	1,686,539
Property and equipment, net of accumulated depreciation	4,090,696	-	-	4,090,696	3,171,195
Total Assets	\$ 5,674,411	\$ 226,361	\$ 3,526,279	\$ 9,427,051	\$ 8,368,905
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable	\$ 189,652	\$ -	\$ -	\$ 189,652	\$ 235,153
Unearned revenue	216,812	-	-	216,812	165,798
Accrued payroll and related expenses	276,062	-	-	276,062	224,573
Other accrued expenses	1,468	-	-	1,468	1,295
Notes payable	2,471,838	-	-	2,471,838	1,686,539
Total Liabilities	3,155,832	-	-	3,155,832	2,313,358
Net Assets					
Unrestricted:					
Designated:					
Property and equipment, net of related debt	1,618,857	-	-	1,618,857	1,484,656
Endowment	319,794	-	-	319,794	332,452
Children's Perpetual Assistance Fund	25,772	-	-	25,772	43,946
Undesignated	554,156	-	-	554,156	448,070
Temporarily Restricted:					
Scholarship	-	31,425	-	31,425	40,271
Other	-	194,936	-	194,936	343,076
Permanently Restricted:					
	-	-	3,526,279	3,526,279	3,363,076
Total Net Assets	2,518,579	226,361	3,526,279	6,271,219	6,055,547
Total Liabilities and Net Assets	\$ 5,674,411	\$ 226,361	\$ 3,526,279	\$ 9,427,051	\$ 8,368,905

The accompanying notes are an integral part of these financial statements.

UTAH YOUTH VILLAGE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005
With Summarized Financial Information For the Year Ended June 30, 2004

	2005				2004
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public Support					
Contributions	\$ 311,187	\$ 607,730	\$ 40,023	\$ 958,940	\$ 2,948,989
Revenues					
Utah Department of Human Services	2,150,491	-	-	2,150,491	2,784,773
Payments from other State Agencies	311,148	-	-	311,148	218,025
Private placement	2,846,750	-	-	2,846,750	2,283,455
Gain on sale of property and investments	9,411	-	-	9,411	(13,247)
Investment income	26,255	479	-	26,734	3,925
Unrealized loss on investments	(44,000)	(1,674)	-	(45,674)	(59,525)
Special events, net of expenses of \$36,614	18,809	-	-	18,809	32,545
Rental income	1,400	-	-	1,400	4,200
Other	2,057	-	-	2,057	-
Total Revenues	5,322,321	(1,195)	-	5,321,126	5,254,151
Net Assets Released From Restrictions And Other Transfers	640,341	(763,521)	123,180	-	-
Total Public Support And Revenues	6,273,849	(156,986)	163,203	6,280,066	8,203,140
Expenses					
Program Services:					
Residential Treatment Centers					
North Kearns	297,987	-	-	297,987	267,871
South Kearns	305,119	-	-	305,119	255,236
West Jordan Home	126,188	-	-	126,188	72,908
Raymond Home	283,297	-	-	283,297	235,052
Alpine Academy - Cedar Hills	405,731	-	-	405,731	531,635
Alpine Academy - Gene Smith Home	529,609	-	-	529,609	549,676
Alpine Academy - Pine Canyon #1	522,577	-	-	522,577	239,075
Alpine Academy - Pine Canyon #2	256,992	-	-	256,992	-
Transitions	1,568,675	-	-	1,568,675	1,924,224
Families First	954,099	-	-	954,099	709,011
Scholarship	8,961	-	-	8,961	3,921
Child Issues	22,258	-	-	22,258	43,319
Parenting	5,069	-	-	5,069	4,873
Total Program Services	5,286,562	-	-	5,286,562	4,836,801
Supporting Services:					
Management and general	545,497	-	-	545,497	446,857
Fund raising	232,335	-	-	232,335	176,396
Total Supporting Services	777,832	-	-	777,832	623,253
Total Expenses	6,064,394	-	-	6,064,394	5,460,054
Change in Net Assets	209,455	(156,986)	163,203	215,672	2,743,086
Net Assets, Beginning of Year	2,309,124	383,347	3,363,076	6,055,547	3,312,461
Net Assets, End of Year	\$ 2,518,579	\$ 226,361	\$ 3,526,279	\$ 6,271,219	\$ 6,055,547

The accompanying notes are an integral part of these financial statements.

UTAH YOUTH VILLAGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

	Program Services										Transitions
	North Kearns	South Kearns	West Jordan	Raymond Home	Alpine Academy Cedar Hills	Alpine Academy Gene Smith Home	Alpine Academy Pine Canyon #1	Alpine Academy Pine Canyon #2			
Salaries	\$ 148,331	\$ 157,242	\$ 44,796	\$ 139,053	\$ 201,343	\$ 252,318	\$ 253,875	\$ 118,692	\$	\$ 478,296	
Employee benefits	26,979	26,536	9,635	31,609	34,201	40,069	44,410	15,357		104,242	
Payroll taxes	15,479	17,159	4,409	14,338	19,752	25,734	27,259	11,891		40,546	
Total Salaries and Related Expenses	190,789	200,937	58,840	185,000	255,296	318,121	325,544	145,940		623,084	
Professional fees	8,302	8,057	113	151	5,288	14,857	12,208	8,640		12,579	
Payments to Treatment Parents	-	-	-	-	-	-	-	-		779,459	
Supplies	4,267	4,517	1,495	4,751	5,864	5,232	7,583	4,824		3,754	
Payments to youth	7,287	7,776	127	6,796	1,980	2,629	3,147	1,167		2,155	
Youth school	139	169	-	96	18,498	35,920	37,293	18,746		7	
Youth travel	61	62	-	23	61	564	15	14		-	
Youth entertainment	2,662	2,541	209	2,018	3,455	5,460	4,928	2,687		-	
Food	15,596	16,317	2,030	18,434	15,587	22,281	22,731	11,362		7,652	
Conferences and workshops	3,047	3,073	1,527	3,369	7,291	8,444	7,425	3,249		7,785	
Vehicle and travel	7,120	7,771	3,491	7,804	10,844	12,775	13,508	7,262		35,334	
Printing and publications	763	786	517	625	1,354	1,370	1,379	788		3,186	
Telephone	2,699	2,981	1,542	3,375	8,501	10,427	9,851	3,728		12,531	
Utilities	9,195	8,871	1,476	5,068	5,800	7,088	6,096	1,104		3,780	
Purchase of small equipment	3,785	3,948	8,181	3,993	10,655	2,539	4,080	11,931		4,440	
Building and equipment maintenance	6,587	6,017	18,417	5,512	15,851	12,114	7,651	6,262		6,931	
Insurance	12,768	13,424	4,345	12,485	18,454	20,492	15,897	3,219		46,378	
Postage	281	282	45	252	1,095	1,181	1,287	259		1,787	
Bank charges	209	80	192	332	281	114	20	456		-	
Advertising	3,929	2,384	2,369	1,529	1,662	686	1,005	358		2,905	
Interest	-	-	4,645	-	-	-	-	-		-	
Grants and awards	-	-	-	-	27	31	31	31		6,285	
Bad debts	-	-	900	3,966	1	1,109	2,240	900		409	
Dues, fees and licenses	1,076	1,106	5,169	1,076	1,727	2,081	2,130	1,717		709	
Total Expenses Before Depreciation	280,562	291,099	115,630	266,655	389,572	485,515	486,049	234,644		1,561,150	
Depreciation of Buildings and Equipment	17,425	14,020	10,558	16,642	16,159	44,094	36,528	22,348		7,525	
Total Expenses	\$ 297,987	\$ 305,119	\$ 126,188	\$ 283,297	\$ 405,731	\$ 529,609	\$ 522,577	\$ 256,992		\$ 1,568,675	

The accompanying notes are an integral part of these financial statements.

UTAH YOUTH VILLAGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005 (CONTINUED)

	Program Services (Continued)				Management and		Supporting Services		
	Families First	Scholarship	Child Issues	Parenting	Total	General	Fund Raising	Total	Total Expenses
Salaries	\$ 597,453	\$ 315	\$ 14,331	\$ 2,324	\$ 2,408,369	\$ 336,837	\$ 132,173	\$ 469,010	\$ 2,877,379
Employee benefits	140,020	96	3,258	166	476,578	63,506	23,360	86,866	563,444
Payroll taxes	49,659	26	1,025	185	227,462	34,414	10,853	45,267	272,729
Total Salaries and Related Expenses	787,132	437	18,614	2,675	3,112,409	434,757	166,386	601,143	3,713,552
Professional fees	850	-	-	-	71,045	50,607	4,950	55,557	126,602
Payments to Treatment Parents	-	-	-	-	779,459	-	-	-	779,459
Supplies	2,770	-	-	50	45,107	1,392	2,265	3,657	48,764
Payments to youth	2,053	-	591	-	35,708	-	-	-	35,708
Youth school	-	-	-	-	110,868	-	-	-	110,868
Youth travel	-	-	-	-	800	-	-	-	800
Youth entertainment	1,108	-	-	-	25,068	-	-	-	25,068
Food	7,932	1	10	21	139,954	2,367	999	3,366	143,320
Conferences and workshops	4,193	-	52	70	49,525	1,833	7,508	9,341	58,866
Vehicle and travel	57,264	-	5	53	163,231	3,941	1,923	5,864	169,095
Printing and publications	2,678	-	-	(80)	13,366	2,853	22,532	25,385	38,751
Telephone	13,040	-	114	-	68,789	4,085	1,003	5,088	73,877
Utilities	1,900	-	208	547	51,133	5,134	1,230	6,364	57,497
Purchase of small equipment	1,621	-	12	24	55,209	3,216	2,920	6,136	61,345
Building and equipment maintenance	2,915	-	209	569	89,035	7,501	6,224	13,725	102,760
Insurance	9,965	-	136	342	157,905	5,423	1,720	7,143	165,048
Postage	801	-	-	-	7,270	4,282	4,924	9,206	16,476
Bank charges	-	-	-	-	1,684	(774)	1,213	439	2,123
Advertising	-	-	-	-	16,827	45	1,286	1,331	18,158
Interest	-	-	-	-	4,645	4,230	-	4,230	8,875
Grants and awards	-	8,523	81	-	15,009	255	140	395	15,404
Bad debts	52,861	-	-	-	62,386	1,144	-	1,144	63,530
Dues, fees and licenses	433	-	2,027	-	19,251	1,449	674	2,123	21,374
Total Expenses Before Depreciation	949,516	8,961	22,059	4,271	5,095,683	533,740	227,897	761,637	5,857,320
Depreciation of Buildings and Equipment	4,583	-	199	798	190,879	11,757	4,438	16,195	207,074
Total Expenses	\$ 954,099	\$ 8,961	\$ 22,258	\$ 5,069	\$ 5,286,562	\$ 545,497	\$ 232,335	\$ 777,832	\$ 6,064,394

The accompanying notes are an integral part of these financial statements.

UTAH YOUTH VILLAGE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005
With Summarized Financial Information for the Year Ended June 30, 2004

	2005	2004
Cash Flows From Operating Activities		
Change in net assets	\$ 215,672	\$ 2,743,086
Adjustments to reconcile to net cash from operating activities:		
Depreciation and amortization	207,274	151,883
(Gain) loss on disposition of property and equipment	(9,586)	(1,000)
Realized loss on investments	-	14,247
Unrealized loss on investments	45,674	59,525
Changes in assets and liabilities:		
Contracts receivable	33,506	43,329
Promises to give	(93,250)	(40,560)
Other receivables	110,937	(103,361)
Other assets	(5,426)	(27,906)
Accounts payable	(45,501)	48,020
Payroll taxes payable	(8,302)	(9,486)
Unearned revenue	51,014	145,373
Other accrued expenses	59,964	34,571
Net Cash From Operating Activities	561,976	3,057,721
Cash Flows From Investing Activities		
Proceeds from sale of property and equipment	90,875	1,000
Purchase of property and equipment	(1,207,864)	(1,268,991)
Purchase of investments	(6,831)	(1,033,544)
Proceeds from sale of investments	5,000	882,753
Net Cash From Investing Activities	(1,118,820)	(1,418,782)
Cash Flows From Financing Activities		
Payment of loan costs	(9,250)	-
Proceeds from note payable	196,850	1,256,000
Principal payments of note payable	(4,254)	(1,836,000)
Net Cash From Financing Activities	183,346	(580,000)
Net Increase in Cash	(373,498)	1,058,939
Cash at Beginning of Period	1,328,154	269,215
Cash at End of Period	\$ 954,656	\$ 1,328,154
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 8,875	\$ 14,364
Supplemental Schedule of Noncash Investing and Financing Activities:		
Property and equipment acquired in exchange for note payable	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Utah Youth Village, Inc. (the Organization) is a Utah not-for-profit corporation that operates:

- Teaching Family Group Homes
- Transitions
- The Families First Program
- Parent Empowerment Classes
- Assessment Services
- Outpatient Therapy

These programs are provided in an effort to change the lives of youth and families who are in need. The Organization uses as its treatment system, "The Teaching-Family Model," which allows the youth receiving treatment from the Organization to be in a family setting and to learn the skills needed to live a normal and productive life. It is the mission of the Organization to provide treatment to and support for troubled, ungovernable or delinquent youth and their families.

The financial statements include all of the accounts of Utah Youth Village, Inc. and all of its program locations. The Organization follows generally accepted accounting principles for voluntary health and welfare organizations. The following is a summary of significant accounting policies.

Financial Statement Presentation — The Organization reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization presents a statement of cash flows.

Cash — The Organization considers all investments with original maturities of three months or less to be cash equivalent. As of June 30, 2005, the Organization had cash deposits of \$821,223 which exceeded federally insured limits.

Investment in Securities — The Organization accounts for investments in marketable securities with readily determinable values at fair value on date of purchase or donation and recognizes the unrealized gain or loss resulting from the difference between cost and fair value in the statement of activities. Fair value is defined as the market value of the investment at June 30, 2005.

Contracts Receivable — Revenue from the Utah Department of Health, other state agencies, and other third party payors is recognized on the accrual basis whereby revenue is recognized as services are provided. The Organization then bills third party payers in accordance with the terms of respective contracts. Contracts receivable represent uncollateralized receivables from the Utah Department of Human Services and other state agencies for services.

Other Receivables — Other receivables represent amounts owing from individuals or third parties for program services provided. All receivables are uncollateralized.

Allowance for Uncollectible Accounts — An allowance for uncollectible accounts is estimated and recorded based on the Organization's historical bad debt experience, and based on management's judgment.

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Property and Equipment — Expenditures for property and equipment in excess of \$1,000 are capitalized. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Contributions and Donated Assets — Contributions received are recorded as unrestricted or temporarily restricted public support depending on the existence or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon changes in donors' restrictions or satisfaction of the time or purpose restrictions. All contributions are considered to be available for unrestricted use in the appropriate time period, unless specifically restricted by the donor.

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet these criteria are not recognized. Donated assets and contributed services are recognized at their fair market value when the value exceeds \$1,000. A substantial number of volunteers have donated significant time in program services and in maintenance of the Organization's offices and group homes.

Promises to Give — Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unearned Revenue — The Organization records amounts received prior to the related service being provided as unearned revenue. When the related services are performed, such amounts are recognized as revenue. At June 30, 2005, the Organization had received \$216,812 in unearned revenue.

Advertising — The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the year ended June 30, 2005 was \$18,158.

Income Taxes — The Organization is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. No provision for federal or state income taxes has been made in the accompanying financial statements as all of the Organization's current activities are exempt from income tax.

Expense Allocations — Certain expenses for items that are shared by programs of Utah Youth Village, Inc. are allocated among its various programs. These expenses include certain salaries and related costs of personnel, office expenses, liability insurance, travel, supplies, and informational materials. Allocations of large dollar items such as salaries and office expenses are based on time studies. Other items are allocated on a consistent basis as determined by management.

Fund Raising Costs — The Organization has adopted Statement of Position 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising*. SOP 98-2 allows allocation of joint costs (costs allocable among fund raising and support and program services), only if certain criteria are met.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Fair Value of Financial Instruments — The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2005 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Summarized Comparative Financial Information — The accompanying financial statements include certain summarized financial information as of June 30, 2004 and for the year then ended in total but not by net asset class. Such information does not include sufficient detail or disclosures to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2004 from which the summarized information was derived.

Reclassification — Certain amounts in the 2004 financial statements have been reclassified to conform with the 2005 financial statement classification. The reclassification had no effect on the change in net assets reported for the year ended June 30, 2004.

NOTE 2 – INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities as of June 30, 2005 are summarized as follows:

	Cost	Fair Value
Unrestricted mutual funds	\$ 505,617	\$ 461,616
Temporarily restricted mutual funds	30,775	29,101
Permanently restricted mutual funds	433,331	433,331
Total	\$ 969,723	\$ 924,048

The following schedule summarizes revenues from investments for the year ended June 30, 2005:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income:				
Interest and dividends	\$ 12,577	\$ 479	\$ -	\$ 13,056
Gain from sale of investments	5,000	-	-	5,000
Unrealized loss on investments	(44,000)	(1,674)	-	(45,674)
Total	\$ (26,423)	\$ (1,195)	\$ -	\$ (27,618)

Investment income on the statement of activities is shown net of investment management and other related fees, which totaled \$6,225 for the year ended June 30, 2005.

NOTE 3 – PROMISES TO GIVE

Unconditional Promises to Give — During the year ended June 30, 2005, donors to the Organization made written and verbal promises to give totaling \$51,100, of which \$650 was received as of June 30, 2005. Of the total promises to give as of June 30, 2005, \$893,904 was restricted by donors for the Children's Perpetual Assistance Fund. Promises to give were discounted to the present value assuming

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

their respective terms, and discount rates ranging from 5% to 6.36% compounded annually. Unconditional promises to give are scheduled to be collected as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Due in less than one year	\$ 50,850	\$ -	\$ -	\$ 50,850
Due in one to five years	-	-	-	-
Due in more than five years	53,475	-	893,904	947,379
	104,325	-	893,904	998,229
Less: Unamortized discount	(22,218)	-	(260,145)	(282,363)
Net unconditional promises to give	\$ 82,107	\$ -	\$ 633,759	\$ 715,866

The discounted unconditional promises to give have been recorded as receivables and revenues and have been distinguished between contributions received for each net asset class in accordance with donor imposed restrictions. The discount will be amortized as contribution revenue over the lives of the various promises to give.

NOTE 4 – OTHER RECEIVABLES

At June 30, 2005, the Organization had other receivables which included the following:

Sales tax receivable	\$ 3,163
Due from private placements	208,809
Allowance for doubtful accounts	(30,000)
Total	\$ 181,972

NOTE 5 – PROPERTY AND EQUIPMENT

At June 30, 2005, the cost of property and equipment was as follows:

	Estimated Useful Lives	Amount
Land	-	\$ 798,943
Buildings and improvements	10 - 40 years	3,611,887
Development costs	20 - 30 years	295,752
Furniture, fixtures, and equipment	3 - 10 years	538,469
Vehicles	3 - 5 years	190,360
Construction in process	-	139,010
Total Cost		5,574,421
Less: Accumulated depreciation		(1,483,725)
Net Property and Equipment		\$ 4,090,696

Depreciation expense, computed using the straight-line method, for the year ended June 30, 2005, was \$207,074. Depreciation and amortization on the accompanying statement of cash flows includes amortization of loan costs of \$200.

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6 – NOTES PAYABLE

At June 30, 2005, the Organization owed \$192,596 to a bank. Interest accrued at 5.431% annually and was payable monthly. Monthly payments are \$1,483. During the year ended June 30, 2005, \$8,875 of interest was incurred. This interest was capitalized as part of the cost of the building construction. The note is secured by land and buildings. The Organization paid \$150,000 on the note subsequent to year end.

Following is a schedule of maturity of the note to be paid from unrestricted net assets to temporarily restricted net assets:

Year Ending June 30,	
2006	\$ 10,421
2007	10,185
2008	10,631
2009	11,096
2010	11,581
Thereafter	138,682
Total	\$ 192,596

During the year ended June 30, 2004, the Organization received a substantial donation for the Children's Perpetual Assistance Fund. In order to fund the purchase and construction of the Alpine Academy without incurring additional debt and interest expense, the Organization obtained verbal approval from the donor to invest the proceeds from the donation for the construction of Alpine Academy. The funds invested to construct the Alpine Academy will be paid from unrestricted net assets to permanently restricted net assets over 30 years at a rate of 6%. This transaction was designed to ensure the principal amount of the donation has been invested to benefit the Children's Perpetual Assistance Fund as stipulated by the donor.

NOTE 7 – CONTRACT REVENUE

The Organization had contracts with the Utah Department of Human Services and the State of Utah Judicial branch, which provided the Organization with a significant source of revenue. The contracts included operating residential treatment homes, providing training and consultation to Therapeutic Foster Homes and providing intervention directly for troubled families in the State of Utah. A majority of the contracts designate the Organization as a service provider allowing for reimbursement of expenses related to providing the services under contract. All contracts have been renegotiated and renewed for the year ending June 30, 2005.

NOTE 8 – RETIREMENT PLAN

Until January 1, 2004, the Organization had a 401(k) plan which allowed the Organization to match up to 5% of qualified employee contributions. Effective January 1, 2004, the Organization adopted a Profit Sharing Plan. Under this plan, the Organization must contribute 3% of eligible employees' compensation to the Plan. In addition, the Organization may contribute an additional amount determined by the Organization at its sole discretion. The employer contribution under these plans for the year ended June 30, 2005 was \$188,915.

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 9 – BOARD IMPOSED DESIGNATION OF NET ASSETS

Unrestricted net assets have been designated for various purposes which include the investment in property and equipment to indicate the Organization's investment in long-term assets and its outstanding long-term obligations which require net assets and, therefore, cannot be used for program expenses. The Organization has also established an endowment, the income from which may be used to support programs. The purpose of the endowment is to provide stability to the Organization's financial position for the benefit of the children and families.

NOTE 10 – ECONOMIC DEPENDENCY

The Organization received a substantial amount of its revenue (approximately 39%) from governmental grants and service contracts. The Organization has been and is continuing to seek new sources of funding to support their programs and activities. The loss of support from any major source of funds could have an adverse effect on the Organization's programs and activities.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

During the year ended June 30, 2002, a lawsuit was filed against the Organization arising from the alleged sexual molestation of a minor child by a foster child placed by the Organization. The trial court dismissed the case on statutory grounds, and the plaintiffs appealed to the Utah Supreme Court. During the year ended June 30, 2005, the Organization's liability insurance carrier settled the case and is responsible for all expenses.

NOTE 12 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2005, the Organization paid \$679,895 for construction work performed by a company whose president is a board member of the Organization. At June 30, 2005, the Organization owed this Company \$9,645, which was included in accounts payable.

A member of the Organization's board is employed by the custodian of the Organization's investments. The investments at June 30, 2005 were \$924,048.

NOTE 13 – SUBSEQUENT EVENTS

To fund continued construction on its Alpine Academy, on July 19, 2005, the Organization entered into a construction loan and promissory note with a bank. The principal amount of the loan is \$1,240,000. The note will mature in February of 2007 and bears interest at LIBOR plus 2% (5.43% as of July 19, 2005).